

ASRS WEEKLY REPORT

ARIZONA STATE RETIREMENT SYSTEM

Paul Matson, Director
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www.azasrs.gov

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For the week ending Friday, May 26, 2006

This electronic report provides a briefing of news and notices important to our employer partners and our members. Please direct comments to WeeklyReport@azasrs.gov.

ASRS Member News

2006-07 fiscal year contribution rates begin July 1

Contribution rates for the ASRS defined benefit plan are scheduled to increase for the fiscal year that begins July 1, 2006.

Under legislation passed last year, contribution rates are to be reviewed and adjusted annually to ensure the pension plan, health insurance premium benefit program and long term disability plan remain fiscally sound. There are two separate rates – the pension & health insurance benefit plan, which is a pre-tax contribution, and the long term disability program, which is a post-tax contribution. The LTD program rate will remain at this year's rate: 0.5 percent. The pension and health insurance benefit plan rate will increase from the current rate of 6.9 percent to 8.6 percent.

The combined contribution rate, paid by both the employee and employer, will increase from the current 7.4 percent to 9.1 percent beginning July 1, 2006.

Contribution rates have been on an upward trend over the past three years due to several factors, primarily: past increases in the benefit package, low mid-term earnings on the fund, historically low contribution rates that were supplemented by excess earnings, and changing member demographics related to increased life expectancy.

| | ASRS Contribution Rate Fiscal 2006-07 (Effective July 1, 2006) | | |
|-----------------|--|--|--------------|
| | Retirement Pension & Health Insurance Benefit | Long Term Disability Income Plan | Total |
| Employee | 8.60% | 0.50% | 9.10% |
| Employer | 8.60% | 0.50% | 9.10% |

For more information on the ASRS pension plan and contribution rates, please visit the ASRS website at www.azasrs.gov

Retirement-related Legislation

There are several bills before the legislature this session that may impact ASRS members. Upon adjournment of the legislature, the ASRS will provide a summary of any bills that are passed into law that may affect members, retirees or our employer partners.

In the meantime, you may view a summary of these bills and track their progress by referring to the ASRS Bill Tracker, which is updated weekly and posted on our website at www.azasrs.gov

Educational meetings offered to inform, assist members

The Member Services Division of the ASRS conducts educational meetings available to all members. Whether you're newly hired and want to learn about the benefits available to you, or you're ready to retire and want assistance filling out your paperwork and making annuity selections, the ASRS has a meeting for you.

Group Meetings are designed for members within one year of retiring. You'll learn about potential monthly benefits and options, completing retirement paperwork, health insurance, and return-to-work options.

Seminars are open to all members and are especially helpful to new members. You'll learn about the ASRS, benefits as an active, inactive and retired member, member responsibilities, retirement benefit calculations, wills and trusts and Social Security benefits.

Service Purchase Meetings are open to all members. Here you'll learn about the Service Purchase Program, the process for purchasing service, types of service available for purchase, cost calculations and payment options.

Visit our website and click on the Calendars section to see a full listing. Reservations are required and can be made by calling the Member Service Advisory Center at (602) 240-2000 in Phoenix, (520) 239-3100 in Tucson, or (800) 621-3778 outside Phoenix and Tucson.

ASRS Retiree News

2006 Permanent Benefit Increase Information

At the start of each fiscal year, July 1, the Arizona State Retirement System applies the Permanent Benefit Increase (PBI) to retirees' pension checks. Funds for a PBI are generated by excess earnings on the actuarial value of assets of the ASRS fund.

Although the PBI helps mitigate inflation, it is not tied to the federal Cost of Living Index and is not structured to be increased every year. However, once granted, a PBI cannot be taken away.

The method of applying gains and losses to the ASRS fund includes three recent years when earnings were less than the ASRS assumed earnings rate of 8 percent. As a result, there are no new funds to provide for a new PBI for the 2006-07 fiscal year.

Likewise, there are no new funds to generate an additional Enhanced PBI, which has been granted in the past when earnings accumulated on the monies set aside to pay the PBI.

Retirees of the Defined Benefit Plan who have received PBI and EPBI increases in past years will continue to receive these in their pension check, but there will be no increase this year.

Retirees will not see any decrease in their monthly pension. Permanent Benefit Increases may be granted in future years should sustained annual earnings exceed the plan's assumed earnings rate of 8 percent.

ASRS Employer News

Enrollment Forms

The ASRS is in the process of updating member-records and is asking your support to help ensure they are accurate.

The majority of information contained in each record comes from the member's initial enrollment form. The enrollment form is vital because it ensures we have accurate and complete information for our members, triggers the creation of member accounts and provides our actuary with critical information needed to make actuarial assumptions that affect our contribution rates.

Frequently, the ASRS receives enrollment forms that are incomplete and/or have inaccurate information. The following is a list of the most common errors that we see:

- Wrong Social Security number
- Enrollment is filled out by employee only, without the required signature from the employer representative
- No address
- No date of birth for member
- No gender for member
- No designated beneficiary
- Beneficiary information incomplete
- Incorrect names
- Missing enrollment form. Account is set-up from employer contribution report which does not provide us with all the information we need to serve our members

In order for the ASRS to improve the integrity of our data and better serve our members, incomplete forms are returned to the employer for correction. The form will be accompanied by a letter asking you to complete and return the enrollment form to the ASRS.

If you are unsure of how to fill out the enrollment form, please contact the ASRS Employer Relations division or refer to the sample contained in the Employer Manual.

The ASRS appreciates your efforts to help us keep accurate records of your employees!

On-line Contribution Reporting fast, easy!

Did you know ASRS employers can file payroll reports and make payments to the ASRS via the internet at www.azasrs.gov?

The ASRS highly encourages employers to participate in this safe, secure electronic reporting option!

To sign up for on-line reporting, contact:

Marcia Kumamoto, Contribution Accounting Manager

marciak@azasrs.gov

(602) 240-2034 from metro Phoenix

(520) 239-3300, ext. 2034 from metro Tucson

1 (800) 621-3778, ext. 2034 toll free from outside metro Phoenix and Tucson

OR

Michelle Fink, Administrative Project Coordinator

michellef@azasrs.gov

(602) 308-5107 from metro Phoenix

(520) 239-3100 ext. 5107 from metro Tucson

1 (800) 621-3778 ext. 5107 toll free from outside metro Phoenix and Tucson

Board & Committee Meetings

ASRS Board of Trustees

Friday, July 21, 2006, 8:30 a.m., ASRS Phoenix office, 3300 N. Central Ave., 10th floor Board Room.

External Affairs Committee

Friday, June 2, 2006, 10 a.m., ASRS Phoenix office, 3300 N. Central Ave., 14th floor.

Investment Committee

Wednesday, June 7, 2006, 5:30 p.m., ASRS Phoenix office, 3300 N. Central Ave., 14th floor.

Operations Committee

Thursday, July 27, 2006, 10:30 a.m., ASRS Phoenix office, 3300 N. Central Ave., 14th floor.

Note: All Board & Committee meetings are open to the public and your attendance is encouraged. Schedules, agendas and minutes of meetings are posted on our website and are available at our Phoenix and Tucson offices.